



Mike Huckabee
Governor

The AID

Quarterly Newsletter



Mike Pickens
Commissioner

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**Insurance News from the
ARKANSAS INSURANCE DEPARTMENT
We're Here to Help You!**

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State's Insurance Fraud Investigation Division Expects Special Law Enforcement Status

The Arkansas Insurance Department's Fraud Investigation Division has petitioned the legislative body to grant special law enforcement authority to the Division, which investigates and prosecutes all types of insurance fraud.

Noting five (5) significant factors which lend support to the Fraud Division's request to be granted authority to carry firearms, and execute arrest warrants in addition to its other duties, Fraud Division Director, Marty Nevrla, said the safety of investigators was its main priority.

"Insurance fraud suspects are subject to criminal penalties, including long prison sentences, and therefore these suspects impose serious threats to the safety of our investigators," Nevrla said.

Although it is standard practice for the Division to "back away" from potentially dangerous confronta-

tions, "several incidents have turned sour without warning," Nevrla stated. "We are concerned that as the caseloads continue to increase, the potential for injury or more severe harm to our investigators is imminent."

Other factors key in supporting the Division's position that the granting of law enforcement status is crucial to the safe and efficient operations of the Insurance Department's fraud investigation efforts include: the execution of ar-

rest, and search and seizure warrants; the impact of the State's concealed handgun law; the benefits of advanced law enforcement training for investigators; and the availability of federal and state grants the law enforcement designation brings for the Division.

As certified law enforcement officers, Fraud Investigators would have the power to execute search and seizure, and arrest warrants. Without the certification, the Division is required to depend upon other

law enforcement personnel to execute this important process in investigation and prosecution of insurance fraud.

"Delays in the execution of a search and seizure or arrest warrant could not only make the attainment of evidence more difficult, but delays could also pose a safety hazard to an officer if they result in 'tip offs' to suspects," Nevrla asserted.

The bill, HB 1361, has progressed through the legislative committees and at press time, is undergoing a minor amendment process. Department officials say they expect final passage of the bill, including the Governor's signature, no later than the end of March 2001.

The bill contains an emergency clause, which would allow it to become effective immediately, when signed by the Governor.

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For more information, visit our web site at www.state.ar.us/insurance

*The Arkansas Insurance Department is located at 1200 West Third Street (the corner of Third and Cross Streets) in Downtown Little Rock, Arkansas.
Our mission is to serve and protect the public interest by the equitable enforcement of Arkansas laws impacting the insurance industry.*



New Deputy Commissioner Named



Lenita Blasingame
Deputy Commissioner

Lenita Blasingame, former director of the Department's Property and Casualty Division, has been named Deputy Commissioner of the Arkansas Insurance Department. Mrs. Blasingame replaces Bob Ridgeway, who left the Department to pursue interests in the private sector.

again the summer of 1964, she became a full-time employee in 1965, working as secretary to the Commissioner.

Before assuming her role as director of the Property and Casualty Division in 1989, she worked for 16 years as director of the Insurance Department's License Division.

"I look forward to continuing my work in a progressive and challenging industry," Mrs. Blasingame noted. "In many instances, the public at large views insurance issues on the same level of importance as taxes and education. I expect to be extremely busy in the months and years to come."

In her new role, Mrs. Blasingame manages seven division heads including the Accounting; Human Resources; Fraud Investigation; Life and Health; License; Property and Casualty; and Risk Management divisions.

"Lenita has been with the Department for more than 30 years," Commissioner Pickens said. "Her commitment and experience make her a very valuable asset to this Department and to the people of Arkansas."

Mrs. Blasingame began her career with the Insurance Department in 1963 as a summer intern. After working

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Insurance Agents Warned: Do Not Sell Securities Products Without Securities License

State Insurance Commissioner Mike Pickens and State Securities Commissioner Mac Dodson issued a Joint Bulletin (1-2001), which warns insurance agents against selling securities products without the proper securities license.

The Arkansas Insurance Department said it has become aware of insurance agents engaging in the selling of investment or securities products, such as customer owned coin operated telephones (COCOTS), Prime Bank notes, promissory notes, nine-month notes, commercial paper, and various other investments defined as "security" by the Arkansas Securities Act.

Ark. Code Ann. 23-42-301(a) states that no one may transact business as a securities broker-dealer or securities agent unless registered with the Securities Commissioner. In addition, selling securities without a license would allow both the Insurance Commissioner and Securities Commissioner to impose penalties upon an insurance agent for violation of Arkansas securities laws.

"This Department intends to take action against insurance agents who improperly engage in transactions involving securities," Commissioner Pickens said. "Agents should not rely on any representations that an investment product is not subject to securities regulation. Relying on such information could prove to be erroneous and could subject the agent to penalties."

The Bulletin also informs agents who are registered with the Securities Commissioner of additional restrictions of selling any security not specifically approved by the broker-dealer. Such violations could result in fines up to \$5000.

To obtain a copy of Bulletin 1-2001 or to address any questions regarding this matter, contact the Legal Division of the Arkansas Insurance Department, 501-371-2820.

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Commissioner's Comments



The Dawning of a New Era

As we move into the new millennium, we're faced with more challenges than those we've come to know as the day-to-day operations of insurance regulation. Our challenges are as fresh and exciting as the dawning of a new era.

This Department's commitment to provide consumer protection through market conduct regulation and insurer solvency continues to be the benchmark that guides us through significant changes in the marketplace.

The new Financial Services Modernization Act, also known as Gramm-Leach-Bliley, (GLB) is the driving force behind many of the changes taking place today. Signed by the President in 1999, GLB tears down some of the walls that separate insurance, banking, and securities operations. Where previously prohibited, banks are now allowed to purchase insurance companies, creating a broader meaning to the scope of "financial services."

GLB notwithstanding, on a local level, the Arkansas Insurance Department continues to propose legislation aimed at protecting insurance consumers. During the State's 2001 Legislative Session, we expect to introduce more than 40 bills, all of which we believe are in the best interest of Arkansans and the State of Arkansas.

The following bills are key to our Legislative Package.

Gramm-Leach-Bliley Legislation

- Includes a Producer Licensing Act, which must be passed in order to circumvent federal regulation
- Privacy Regulation, which provides for the protection of consumer personal financial and health information

- Omnibus/Technical correction bills provides for minor technical corrections or code revisions to address GLB mandates



Commissioner Mike Pickens

Fraud Division Special Law Enforcement Authority

Due to the escalating dangers faced by the investigators of our Fraud Division, this unit has requested that it become an official law enforcement agency.

Health Insurance

A number of bills will be proposed in the area of health insurance, ranging from requiring third parties to notify insureds of their intent to cancel, to the formation of health insurance purchasing groups, which will allow small employers to increase their purchasing power to buy insurance for their employees.

Prepaid Guaranty Fund

This bill proposes the creation of a fund to cover losses from pre-paid trust accounts to prevent financial loss for the pre-paid funeral consumer.

We expect to continue to see major changes take place in the insurance and financial services industry in Arkansas and throughout the world. The Arkansas Insurance Department remains steadfast in its commitment to ensure consumer protection through financial solvency and market conduct examinations. Please let us know if we can ever assist you.



Court Places Insurance Company Into Liquidation

On February 23, 2001, a court order issued by Pulaski County Circuit Court placed American Investors Life Insurance Company into liquidation.

The Little Rock-based, single state health insurer was placed in receivership last July and since that time the Deputy Receiver and independent health insurance experts have attempted to rehabilitate or sell the company.

Issuance of the order supported the Insurance Department's assertion that further efforts to rehabilitate the company would be useless, and liquidation of the company was in the best interest of American Investors policyholders. The Liquidation Order, dated February 23, means that all efforts to revive the company have ceased and the claims of American Investors policyholders, up to its statutory limits, will be paid by the Arkansas Life and Disability Insurance Guaranty Association.

Barring an appeal by American Investors owner Bob Fewell, the Liquidation Order will become effective on March 27, 2001.

"We are pleased with the ruling of the court in this matter," Commissioner Pickens said. "While it is never a pleasant task to take such drastic steps against a company, particularly an Arkansas-based company, we are confident that this action was the only responsible course we could take as insurance regulators. I am hopeful the company's owner will choose not to appeal the Circuit Court order. If he does, this will only serve to delay claims payments to policyholders and providers. It is time to take care of the policyholders and to move on."

The company has 30 days from the time the order is filed to pursue an appeal. If an appeal of the order is sought, it could take months to resolve, further jeopardizing the health coverage of its policyholders.

"Based on the finding of the court, and giving the highest regard to the well being of American Investors policyholders, I hope the company's owner will set aside any efforts to appeal the Liquidation Order," Commissioner Pickens stated. "This has been a long and tedious process and I believe everyone agrees it's time to move on and bring closure to this matter."

American Investors policyholders will have a minimum of 30 days from the date of the order to find new health insurance coverage. Policyholders are encouraged to call the American Investors office at 501-227-6660 or 1-800-467-0028 to answer any questions they may have regarding the status of the company or any issue regarding their insurance coverage.

Questions and Answers for American Investors Policyholders

Q. What happens next?

A. Barring an appeal, the Liquidation Order will become effective March 27, 2001, and claims and coverage will become the responsibility of the Arkansas Life and Disability Insurance Guaranty Association as of the date the order is filed. The Guaranty Association will continue coverage for at least 30 days from the date the order becomes final. The Guaranty Association will pay claims up to its statutory limit of \$100,000 per life.

Q. What happens if the Liquidation Order is appealed?

A. If the order is appealed, the Guaranty Association cannot pay claims until the appeal is over.

Q. How long would an appeal take?

A. It is difficult to predict, but it is estimated it would take anywhere from 3 to 6 months for an appeal to be decided.

Q. When will my claims be paid?

A. While the issue of American Investors' liquidation is being resolved, claims will continue to be received and processed for payment. While claims will continue to be paid during this time, claims cannot be paid at the frequency or volume they were being paid during rehabilitation as to do so would result in American Investors exhausting all its funds.

Q. Do I still have coverage?

A. Until you are otherwise notified, coverage will continue so long as premiums are paid.

"While it is never a pleasant task to take such drastic steps against a company, particularly an Arkansas-based company, we are confident that this action was the only responsible course we could take as insurance regulators."

- Commissioner Pickens

Commissioner Pickens Elected to National Office



State Insurance Commissioner Mike Pickens was elected secretary-treasurer of the National Association of Insurance Commissioners (NAIC) according to an announcement made by the group, which is composed of insurance regulators from the 50 states, the District of Columbia, and four United States territories.

"I'm honored to accept this position and look forward to serving with my fellow officers," Commissioner Pickens stated in his acceptance speech. "Our toughest challenges as state regulators are now before us. I look forward to working with the rest of the members to make our system of state regulation more efficient and more responsive to consumers."

Commissioner Pickens' nominating speech was made by Lee Covington, former Deputy Commissioner to Pickens and now Ohio Insurance Director. Covington said of Arkansas's Insurance Commissioner, "Mike Pickens has demonstrated that he has vision, leadership and the ability to bring people together at home in Arkansas, across this nation, and internationally."



Commissioner Pickens addresses the NAIC membership at Winter Meeting in Boston shortly before his election as NAIC Secretary-Treasurer.

Also elected as NAIC officers were Kathleen Sebelius, Kansas Insurance Commissioner, who was chosen as the group's president. Terri Vaughn, Iowa Insurance Commissioner, was chosen as vice-president.

The Arkansas Insurance Department received another national honor last year, when *Best's Review*, an A. M. Best publication, named the agency one of the most progressive Departments in the country. A. M. Best is one of the country's oldest and most respected insurance rating organizations.

Appointed by Governor Mike Huckabee in 1997, Commissioner Pickens was recently reappointed by the Governor and is serving his second four-year term. Mr. Pickens' term as NAIC secretary-treasurer will expire in December 2001, when he will be eligible to run for vice-president.

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Gramm-Leach-Bliley Comes to Arkansas

Much has been said about the Gramm-Leach-Bliley Act of 1999, ("GLB") also known as the Financial Services Modernization Act. Industry experts agree it is an aggressive and for some, a much-awaited federal regulation destined to forever change the financial services climate in this country.

One of the first major GLB provisions to affect the State of Arkansas and the insurance industry is the scheduled implementation of privacy regulations outlined in the new law. Effective July 1, 2001, in accordance with Title V of the Gramm-Leach-Bliley Act, state insurance regulators are charged with implementing privacy regulations for insurers.

Title V of the Act establishes a minimum federal standard of privacy. The minimum standards, when coupled with state privacy regulations, require disclosure of privacy policies to customers at the time a relationship is established. The new standards will also require privacy disclosures to the customer not less than annually during the lifetime of the relationship.

The provision also would permit a consumer to "opt out" of having private financial information shared with most third parties without the consumer's permission.

Additionally, the Arkansas Insurance Department (AID) plans to implement a regulation entitled "Privacy of Consumer Financial and Health Information Regulation," which will be similar to the model regulation adopted recently by the National Association of Insurance Commissioners (NAIC).

The proposed regulation would apply to insurers, health maintenance organizations, agents, and any other licensed entity authorized to conduct business by the AID. This regulation would take additional steps to protect the consumers' health information.

More information regarding Gramm-Leach-Bliley privacy regulations is available on the AID Web site, www.state.ar.us/insurance

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The Rate Report

The following property and casualty rates are provided to you as a service of the Property and Casualty Division of the Arkansas Insurance Department. The rates listed in this report reflect rate increases and decreases that have been granted by the Department from October 2000 through January 2001. We will utilize this section of the newsletter to keep you informed of rate changes as they occur and are released through the Department.

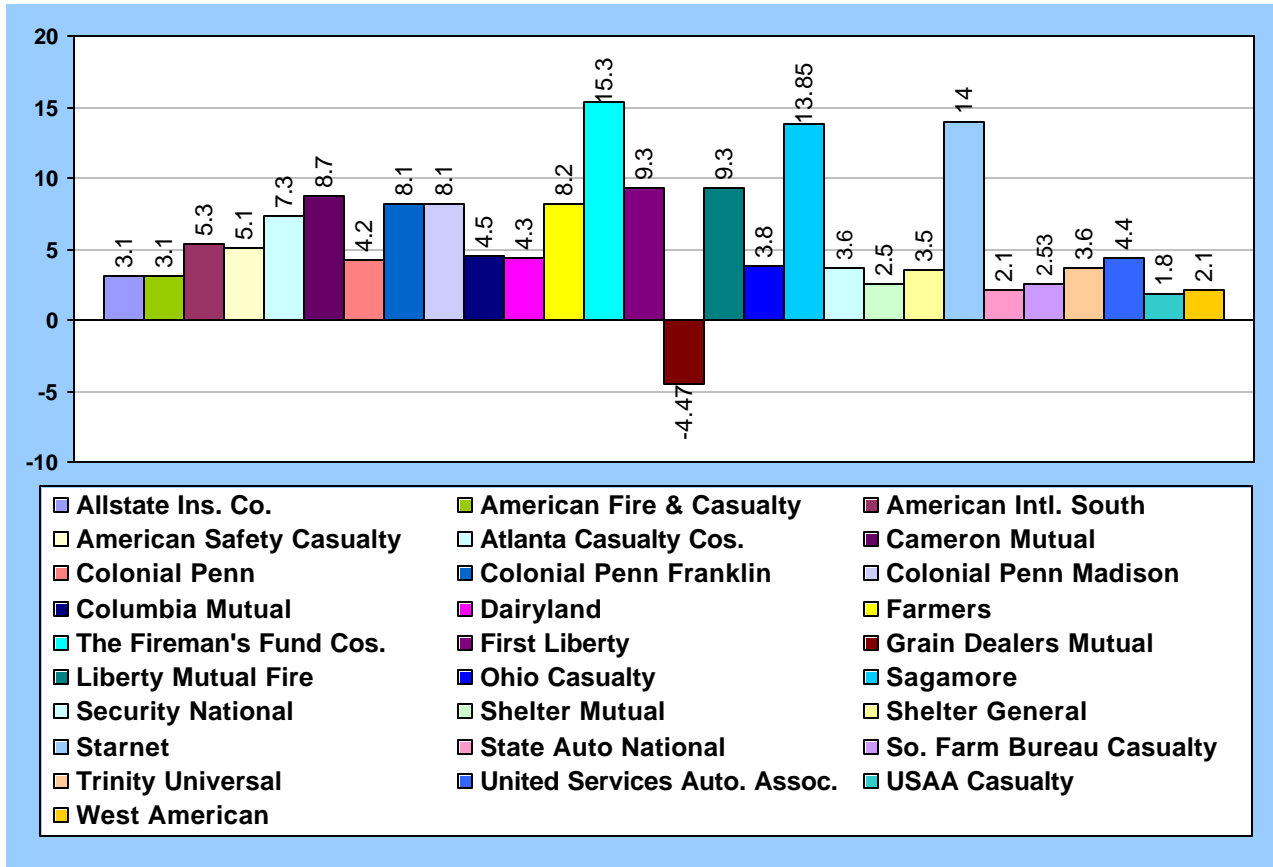
Decreases

<i>Company</i>	<i>Percent of Decrease</i>	<i>Effective Dates</i>	
		<i>New Business</i>	<i>Renewals</i>
Grain Dealers Mutual	4.47%	11/01/2000	

Increases

<i>Company</i>	<i>Percent of Increase</i>	<i>Effective Dates</i>	
		<i>New Business</i>	<i>Renewals</i>
Allstate Ins. Co.	3.1%	11/20/2000	
American Fire and Casualty Co.	3.1%	Open	
American International South Ins. Co.	5.3%	01/01/2001	03/01/2001
American Safety Casualty Ins. Co.	5.1%	01/08/2001	
Atlanta Casualty, American Premier and Atlanta Specialty	7.3%	12/15/2000	01/15/2001
Cameron Mutual	8.7%	02/01/2001	
Colonial Penn Ins. Co.	4.2%	12/15/2000	01/29/2001
Colonial Penn Franklin Ins. Co.	8.1%	12/15/2000	01/29/2001
Colonial Penn Madison Ins. Co.	8.1%	12/15/2000	01/29/2001
Columbia Mutual Ins. Co.	4.5%	02/01/2001	
Dairyland Ins. Co.	4.3%	10/27/2000	12/21/2000
Farmers Ins. Co.	8.2%	01/01/2001	
The Fireman's Fund Ins. Co., The American Ins. Co., National Surety Corp., Assoc. Indemnity Corp., American Auto Ins. Co. and Fireman's Fund Ins. Co. of WI	15.3%	02/01/2001	03/07/2001
First Liberty Ins. Corp.	9.3%	01/15/2001	
Granite State Ins. Co.	5.5%	01/01/2001	03/01/2001
Liberty Mutual Fire Ins. Co.	9.3%	01/15/2001	
Mid-Century Ins. Co.	7.8%	01/01/2001	
Ohio Casualty Ins. Co.	3.8%	Open	
Sagamore Insurance Co.	13.85%	Open	
Security National	3.6%	10/25/2000	
Shelter Mutual	2.5%	12/21/2000	01/15/2001
Shelter General	3.5%	12/21/2000	01/15/2001
Starnet Insurance Co.	14.0%	12/01/2000	01/01/2001
State Auto National Ins. Co.	2.1%	05/17/2001	
Southern Farm Bureau Casualty Ins. Co.	2.53%	11/15/2000	
Trinity Universal	3.6%	10/25/2000	
United Services Automobile Association	4.4%	11/01/2000	
USAA Casualty Ins. Co.	1.8%	11/01/2000	
West American Ins. Co.	2.1%	Open	

The Rate Report



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Lacy Becomes Property and Casualty Director

William R. Lacy, former Associate Counsel for the Department's Legal Division has assumed the role of Director of the Property and Casualty Division. He replaces Lenita Blasingame, who became Deputy Commissioner.

Mr. Lacy came to the Department after having been in private practice since 1986, engaged in the practice of business and domestic relations bankruptcy.

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Employee Spotlight



Meet Carol Anthony, Personnel Officer for the Arkansas Insurance Department. Although Carol is beginning her second year with the Department, she has been a part of Arkansas State Government for the past 17 years, where she has been recognized as an Outstanding State Employee, and has been honored with the Director's Recommendation Award. Carol is married to Dean and they have two children Braylon, 10; and Kashayla, 5.

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Arkansas Insurance Department
1200 West Third Street
Little Rock, AR 72201-1904
Tel: (501) 371-2600, (800) 292-9134
Fax: (501) 371-2618
E-mail: insurance@mail.state.ar.us



Mission Statement:

**To serve and protect the public
interest by the equitable
enforcement of the State's laws
and regulations affecting the
insurance industry.**

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